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E.O. 12958: N/A
TAGS: BEXP ETRD ETTC RS
SUBJECT: EXTRANCHECK: PRE-LICENSE CHECK: A) D368267 AND B) D371035 - JSC MIKRON

¶1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

¶2. Reftel requested a Pre-license check to determine the legitimacy and reliability of the end-user, JSC Mikron, Zelenograd, Russia. The company is listed on BIS license application a) D368267 (Lam Research) and b) D371035 (Axcelis) as the ultimate consignee of an Alliance 9600 PTX Etch system (ECCN 3B001.c.1), an Alliance 9400 Etch system (ECCN 3B001.c.1), an Exelan HPT Etch System (ECCN 3B001.c.1), a High Energy Implanter Model HE (ECCN 3B001.b.1), and a High Current Implanter Model GSD Ultra (ECCN 3B001.b.2). These items are controlled for national security and anti-terrorism reasons under ECCN 3B001. The licensees are Axcelis, 108 Cherry Hill Drive, Beverly MA 01915-1088, and LAM Research, 4650 Cushing Parkway Fremont CA 94538.

¶3. On June 7, 2007, Export Control Attache Donald Pearce and Licensing Officer Brian Baker of Office of Export Administration conducted a pre-license check at the offices of Joint Stock Company Mikron (Mikron), 1st Zapadniy Proyezd #12, Zelenograd, Russia. The export control team met with Andrey Golusko, Deputy Head of Microelectronics Solutions, and Gennady Krasnikov, General Director, and Alain Astier, Vice President - Front-End Technology and Manufacturing Group of STMicrolectronics.

¶4. Mikron is a producer of semiconductor products targeted for the Commonwealth of Independent States (CIS) and Southeast Asia markets. Mikron, founded 15 years ago, is a subsidiary of Joint Stock Company Sitronics. Sitronics owns 74% of Mikron stock, with 17% of the shares held by small shareholders and 100 legal entities, and the remaining 9% by the Federal Real Estate Cadastre Agency (Russian acronym Rosnedvizhimost). Sitronics, a telecom and IT solutions provider, is a publicly traded company listed on the London Stock Exchange. Sitronics is majority owned by Joint Stock Company Sistema, a consumer services holding company. Mikron employs approximately 1500 at its Zelenograd headquarters and a second facility in Voronezh. About 600 of the staff are engineers, with the remainder in administrative and support positions.

¶5. Mikron designs and produces over 400 different types of analog and digital integrated circuits (ICs), including smart cards and radio-frequency

identification (RFID) products. Mikron has two wafer fabs with a combined average annual capacity of 600,000 4" wafers and 120,000 6" wafers. Mikron also has a smart-card production facility capable of producing 280 million RFID cards and 60 million chip modules annually. Mikron currently produces the RFID cards used in the Moscow Metropolitan Transport System (Metro subway trains) and GSM cards for cellular telephone providers MTS (Russia) and UMC (Ukraine).

¶6. The Axcelis and Lam Research equipment will be utilized to give Mikron the ability to produce its own memory chips for use in its smart cards. Mikron has partnered with ST Microelectronics of France (ST) for transfer of a "copy-exact" process and manufacturing technology for the production of Electrically Erasable Programmable Read-Only Memory (EEPROM) circuits. ST will provide Mikron design expertise and access to its network of suppliers. Mikron will then provide access to the Russian market for ST. The package ST will provide consists of tool specifications, facilities and utilities specifications, process recipes and training for Mikron engineers. ST and Mikron hope to have the clean rooms ready for tools by September, 2007 and are targeting their first chip starts for December, 2007. This advance will allow the company to produce smart cards completely in-house, drastically reducing turnaround time and overall costs. Mikron currently receives the EEPROMS from ST in France.

¶7. Security at the facility is high due to the value of the end products; specifically banking smart cards, GSM chips and metro passes. The system includes a 24-hour a day, seven day a week security presence, as the fabs are at work at all times. An electronic system

monitors all entry and exit areas, and special "man-trap" systems are employed in high-value areas such as the smart-card production facility. Access to all areas is controlled by a proximity card system, which also logs employee movements within the facility and limits access to sensitive areas.

¶8. Mikron is not currently a Ministry of Defense contractor, though it has supplied products to companies that may have military contracts. The majority of items provided are power management ICs, such as the ones used in the automotive industry. In Soviet times, Mikron produced voice scramblers for military communications systems, but as the company turned to civil applications after the fall of the Soviet Union, these product lines were converted to produce items of a commercial nature. Today most military hardware in Russia is produced by the Federal State Unitary Enterprises, and most of the components are either fabricated in-house or imported. There are approximately 30 Russian enterprises with facilities in Russia and Belarus currently producing ICs, which may be involved in military contracting.

¶9. Recommendations: Post recommends JSC Mikron, Zelenograd, Russia, as a reliable recipient of sensitive U.S. origin commodities. It is requested that post be notified of final disposition of the application, and of any shipments for this organization in order to conduct appropriate FCS follow-up and statistical reporting.
(FCS MOSCOW/SBOZEK/DPEARCE)
BURNS